Indian Ocean Commission Countries
A Flagship Study on Regional Integration

Summary Final Report
December 2012

Bank’s Future Cooperation with the Indian Ocean Commission
Flagship Study Report
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For more information about this report and other information on the Indian Ocean Commission Member States, please visit http://www.afdb.org/en/countries/southern-africa/
Regional integration of Africa is at the core of the African Development Bank Group’s mandate. To this end, Regional Integration Strategy Papers (RISPs) are prepared to complement Country Strategy Papers (CSPs) as the main instruments for programming Bank support to Regional Member Countries (RMCs). The Southern Africa and East Africa RISPs for 2011-2015 both discuss the specific challenges faced by countries belonging to the Indian Ocean Commission (IOC) due to their geographic location, poor linkages to the continent, small domestic markets, and vulnerability to climate change.

This Flagship Report analyses the above challenges and provides a framework for Bank support to and collaboration with the IOC and its Member States, namely, Comoros, Madagascar, Mauritius and Seychelles. The study was commissioned by the Bank and carried out by a consultancy firm under the supervision of Regional Department South B and a task team comprising staff from East Africa Regional Resource Centre (EARC), Regional Department East B (OREB), Water and Sanitation Department (OWAS) and NEPAD, Regional Integration and Trade Department (ONRI), among others. The team reviewed the Bank’s strategic documents on regional integration and held consultations with the IOC and its Member States. The specific objectives of the study were to:

- Analyze the challenges faced by the IOC Member States, both individually and collectively;
- Identify actual and potential growth drivers in the region; Recommend ways to strengthen the Bank’s partnership with the IOC based on the strategic directions and comparative advantages of both organizations, while identifying capacity constraints that need to be addressed; and
- Suggest priority areas for intervention by the Bank and areas of collaboration with other partners, with the aim of developing a pipeline of projects.

The major findings and proposed areas of cooperation were discussed and validated by representatives from the IOC Member States and the IOC Secretariat at a workshop held in Port Louis, Mauritius in November 2011. Further discussions with IOC’s representatives and internally at the Bank confirmed the main findings and recommendations of the study.

It is my expectation that this report will form a solid basis for future regional integration work in the IOC region, and will be widely used by all stakeholders in the island states to support the agenda of integration with the rest of the continent.

Zondo SAKALA
Vice President, Country and Regional Programs and Policy
African Development Bank Group
The African Development Bank (AfDB) has always embraced the vision of an empowered, prosperous and integrated continent. Regional integration has been part of its Charter since its establishment in 1964, and has been given priority in all major Bank strategies. The AfDB’s Strategy for 2013 – 2022 establishes the strategic emphasis on inclusive green growth, which is to be embodied in all the AfDB’s activities including interventions and knowledge products.

This Flagship Report analyses the strengths, weaknesses, opportunities and threats (SWOT) that the IOC Member States face in the process of regional integration and the areas in which cooperation among the countries can be enhanced through targeting key constraints relevant to infrastructure linkages, institutional capacity and vulnerability to disasters and pandemics. It aims to inform the ways in which the AfDB can proceed to strengthen support for the IOC Member States, whose needs have not been sufficiently addressed in the existing RISPs.

The preparation of this Flagship Report was based on broad cross-complex collaboration and coordination. Extensive stakeholder consultation is another important aspect during the preparation. The Flagship Report is organized in a way that, following the statement of purpose of the report, Chapter 2 presents an analysis of growth and macroeconomic performance in the IOC region, Chapter 3 covers structural constraints to growth and regional cooperation, Chapter 4 identifies challenges and opportunities for regional cooperation, Chapter 5 draws a framework for strategic cooperation with the IOC Member States, and Chapter 6 summarizes the conclusions and recommendations.

Recognizing the need to respond to our clients’ demands and adapting to a changing environment, the AfDB will continue to dialogue with the IOC grouping, both at the regional and country level, to enhance the assistance through our regional integration efforts.

Chiji OJUKWU
Regional Director
Regional Department South B
This report was prepared by the African Development Bank’s Regional Department South B (ORSB) with assistance from a Bank-wide task team and a group of consultants. The task team was led by Ms. Barbara Ramos, Economist (ORSB), who handed over to Ms. Martha Phiri, Principal Country Economist (Mauritius Liaison Office) and subsequently to Mr. Oscar Pitti Rivera, Economist (ORSB) and Ms. Helga Peres, Country Portfolio Officer (ORSB), who redrafted the final consultant report. The team received overall guidance from Mr. Ernest Addison, Lead Economist (ORSB) and publication of the work was assisted by Ms. Xin Long, Economist (ORSB).

The report benefitted from valuable feedback from staff in different departments, including Richard Walker, Principal Regional Economist (EARC); Philippe Trape, Senior Country Economist (OREB); Abdelkrim Bendjebbour, Resident Representative (Madagascar Country Office, MGFO); Jean Marie Vianey Dabiré, Senior Country Economist (MGFO); Hajavola Rakotondrazaka, Private Sector Field Officer (MGFO); Bruno Boedts, Chief Operations Officer (MGFO); Nancy Ogal, Senior Water and Sanitation Engineer (OWAS); Davies Makasa, Principal Transport Engineer (Transport and ICT Infrastructure Department, OITC); Maria Mdachi, Senior Education Analyst (Ethiopia Country Office / Human and Social Development Department, ETFO/OSHD); El Iza Mohamedou, Chief Political Analyst (Fragile States Unit, OSFU) and Mtchera Chirwa, Chief PPP Infrastructure Specialist (Southern Africa Resource Centre, SARC). Staff from the AfDB’s NEPAD, Regional Integration and Trade Department (ONRI) also provided valuable support.

Mr. Aloysius Ordu (the then Vice President, Country and Regional Programs and Policy, ORVP), Mr. Chiji Ojukwu (Director ORSB), Mr. Septime Martin (Resident Representative, Angola Country Office, AOFO) and Mr. Steve Kayizzi-Mugerwa (Director, Development Research Department, EDRE), helped to initiate the project and secured the funding.

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Regional Director: Chiji OJUKWU
Lead Economist: Ernest ADDISON
Lead Consultant: Ivan LINHART
Core Task Team: Barbara RAMOS, Martha PHIRI, Helga PERES, Oscar PITTI RIVERA
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<th>Acronym</th>
<th>Description</th>
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<tr>
<td>ABEDA</td>
<td>Arab Bank for Economic Development in Africa</td>
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<td>ADB</td>
<td>African Development Bank</td>
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<tr>
<td>ADB-B</td>
<td>Automatic Dependent Surveillance – Model B</td>
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<tr>
<td>ADB-X</td>
<td>Automatic Dependent Surveillance – Model X</td>
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<tr>
<td>ADF</td>
<td>African Development Fund</td>
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<td>AGOA</td>
<td>African Growth and Opportunity Act</td>
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<td>AICD</td>
<td>African Infrastructure Country Diagnosis</td>
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<td>ATS</td>
<td>Aid for Trade Strategy</td>
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<td>AU</td>
<td>African Union</td>
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<tr>
<td>CCI</td>
<td>Chamber of Commerce and Industry</td>
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<td>CES</td>
<td>COMESA-EAC-SADC Tripartite Arrangement</td>
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<tr>
<td>COMESA</td>
<td>Common Market for Eastern and Southern Africa</td>
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<td>COSEP</td>
<td>Emergency and Civil Protection Centre</td>
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<td>DTA</td>
<td>Double Taxation Agreement</td>
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<td>EAC</td>
<td>East African Community</td>
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<tr>
<td>EARC</td>
<td>East Africa Regional Resource Centre</td>
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<tr>
<td>ECCAS</td>
<td>Economic Community of Central African States</td>
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<td>EDF</td>
<td>European Development Fund</td>
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<td>EIB</td>
<td>European Investment Bank</td>
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<td>EPA</td>
<td>Economic Partnership Agreement</td>
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<td>EASSy</td>
<td>Eastern Africa Submarine Cable System</td>
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<td>EU</td>
<td>European Union</td>
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<td>FTA</td>
<td>Free Trade Area</td>
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<td>HDI</td>
<td>Human Development Indicator</td>
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<td>IBRD</td>
<td>International Bank for Reconstruction and Development</td>
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<td>IF</td>
<td>Investment Fund</td>
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<td>INSEE</td>
<td>National Institute for Economic and Employment Statistics</td>
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<td>IOC</td>
<td>Indian Ocean Commission</td>
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<td>IPPA</td>
<td>Investment Promotion and Protection Agreements</td>
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<td>IPPF</td>
<td>Infrastructure Project Preparation Facility</td>
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<td>ICT</td>
<td>Information and Communication Technology</td>
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<td>JICA</td>
<td>Japanese International Cooperation Agency</td>
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<td>KF</td>
<td>Kuwait Fund</td>
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<td>MDGs</td>
<td>Millennium Development Goals</td>
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<td>NEPAD</td>
<td>New Partnership for Africa Development</td>
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<td>OPEP</td>
<td>Organization of the Petroleum Exporting Countries</td>
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<td>ORCE</td>
<td>Regional Department Central</td>
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<td>OREB</td>
<td>Regional Department East B</td>
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<td>ORSB</td>
<td>Regional Department South B</td>
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<tr>
<td>PARDAC</td>
<td>Project in the agricultural sector based in Comoros</td>
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<td>PIDA</td>
<td>Program for Infrastructure Development in Africa</td>
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<td>PLOs</td>
<td>Permanent Liaison Officers</td>
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<tr>
<td>PRIDE</td>
<td>Integrated Regional Development Programme for Trade</td>
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<td>REC</td>
<td>Regional Economic Community</td>
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<td>RIS</td>
<td>Regional Integration Strategy</td>
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<td>RISP</td>
<td>Regional Integration Strategy Paper</td>
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<tr>
<td>RMCE</td>
<td>Regional Multi-disciplinary Centre of Excellence</td>
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<tr>
<td>SADC</td>
<td>Southern Africa Development Community</td>
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<tr>
<td>SARC</td>
<td>Southern Africa Resource Centre</td>
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<tr>
<td>SEFA</td>
<td>Sustainable Energy Fund for Africa</td>
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<td>SEGA</td>
<td>Surveillance Épidémiologique des Alertes</td>
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<tr>
<td>SEGANET</td>
<td>Submarine Extended Gateway Network</td>
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<tr>
<td>UCCIO</td>
<td>Union of Chambers of Commerce and Industry of the Indian Ocean</td>
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<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
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This Flagship Study was commissioned with the aim of providing input into the African Development Bank’s (AfDB) activities in support of integration of the Indian Ocean Commission (IOC) Member States. In addition to enabling the Bank to enhance dialogue with the states of the IOC, the study serves as a knowledge product for policymakers in the region, Development Partners, officials from the private and public sectors, and experts involved in the IOC regional integration process.

The Bank’s main instrument for programming support to regional integration are the Regional Integration Strategy Papers (RISP), which provide the overarching framework for intervention in the five regions (Center, East, North, South and West). RISP s also recognize the specificities of certain groups of countries within each region. The RISP s for Southern and East Africa, for example, acknowledge the specific challenges faced by the countries belonging to the IOC, due to their geographic location, poor linkages to the continent, small domestic markets, and high environmental vulnerability. These challenges have been the subject of discussions between the Bank and the IOC Secretariat on several occasions, including past missions of the IOC Secretariat to Tunis, and recently during the last Bank’s Annual Meetings held in Arusha, Tanzania (May 28th – June 1st, 2012). The discussions focused on the need for specific interventions and innovative instruments to support the participation of small island states in regional programs.

The study proposes that the AfDB should focus its future cooperation with the IOC on three areas: (a) institutional capacity building of the IOC, its Member States, and its private sector; (b) regional infrastructure development; and
1. Purpose of the Report

(c) response management related to natural disasters and regional pandemics.

1.1. The Bank and Regional Integration

Regional integration is at the core of the African Development Bank’s mandate for the continent. The Regional Integration Strategy (RIS) sets regional infrastructure and institutional capacity building as priorities for each region—west, east, southern, north and central Africa—and the Regional Integration Strategy Papers (RISP) focus Bank support in each region on the provision of regional public goods, regional financial integration, and Aid for Trade.

The RIS clearly states that innovative instruments are needed to help Africa’s small, isolated and environmentally vulnerable island countries to participate in regional programs. However, no specific efforts to address the needs of the island states are included in any of the regional strategies.

This Flagship Report aims to fill that gap by providing a framework for Bank support to the four African small island states that comprise the IOC – Comoros, Madagascar, Mauritius and Seychelles. The study analyzes the challenges faced by the IOC Member States; identifies growth drivers and capacity constraints; recommends ways to strengthen the Bank’s partnership with the IOC; and suggests priority areas for intervention.

1.2. Regional Integration Arrangements in the IOC Region

The IOC was created in 1984 to promote sustainable development of its Member States, speak for them in international fora, and defend their interests with regard to specific environmental and economic issues. Since 2005, the IOC has also played an active role in promoting regional trade and economic cooperation, transport and ICT infrastructure, human development, and a regional cultural identity. In 2009, the IOC adopted an Aid for Trade strategy that prioritized development of a maritime corridor to facilitate trade, the promotion of renewable energies, and enhancement of food security. In 2011, the Council of Ministers approved the establishment of an IOC economic and trade area to catalyze the development of regional economic integration programs, instruments and mechanisms, as a stepping stone to integration with the continent’s larger economic communities, including the Tripartite arrangement (COMESA-EAC-SADC, or CES).

Despite the political willingness of Member States, however, cooperation in the region has been constrained by the limited institutional capacity of the IOC Secretariat to implement regional initiatives; and by the absence of a regional strategy to strengthen economic and trade cooperation, outline key activities, or identify necessary financial and human resources. This study provides a knowledge base and offers guidance for policymakers in the region, including private and public sector officials and experts involved in the IOC regional integration process. It reviews the status of regional cooperation in the areas of trade, infrastructure, private sector development, social cohesion and sustainable development; identifies growth drivers and constraints; proposes areas for Bank support
2. Growth and Macroeconomic Performance in the IOC Region

to and enhanced cooperation with the IOC; and suggests an action plan for implementation.

2.1. The IOC Member States: Diversity and Commonalities

The IOC Member States have heterogeneous economies, geographies, populations, and social indicators. GDP per capita ranges from around US$430 in Madagascar and US$810 in Comoros to around US$23,000 in Reunion. Mauritius and Seychelles rank 52nd and 77th in the Human Development Index and are classified as middle-income countries (MICs), while Comoros and Madagascar rank 163rd and 151st, have extremely high poverty rates, and are unlikely to meet the MDGs for infant and maternal health, environmental protection, and malnutrition by 2015.

The economies also vary widely in size. Seychelles and Comoros have nominal GDPs of less than US$1 billion and very limited national markets; while Madagascar, Mauritius and Reunion have nominal GDPs above US$1 billion and relatively well-developed internal markets relative to population size. Madagascar has a population of almost 20 million, which represents 87 per cent of the total population of the IOC region and is more than 200 times the population of Seychelles.

In spite of these differences, regional integration can help all IOC states to overcome the challenges of isolation and remoteness, the risk of marginalization in wider regional groupings, climate vulnerability, and the lack of natural resources (except in Madagascar). A key issue is to define a multi-dimensional strategy that can address the differing needs of these remote island countries while helping the entire region to integrate with a distant continental constituency.

2.2. Growth and Macroeconomic Performance

The IOC region has experienced poor economic growth performance since 2008, as a result of political instability in Madagascar and Comoros, and poor performance in Madagascar and Reunion. Madagascar, in particular, has seen increased economic and social fragility since the eruption of political instability in 2009. Real GDP for the IOC states has been well below growth rates on the continent and in EAC and SADC for the past few years (Figure 1). The global crisis exacerbated the effects of the region’s insularity and other structural constraints.

Figure 1 Comparative Regional Real GDP Growth Rates (2005-2011)

Sources: AEO 2011, EAC Statistical Portal, SADC and INSEE
The services sector accounted for around 60 per cent of the regional GDP in 2010, compared to 20 per cent each for industry and agriculture. The main growth drivers are tourism, construction and public works, agro-food processing, and, to a minor extent, light industries such as textiles. To enhance resilience against external shocks and maximize unexploited potential, further diversification of exports is necessary. Telecommunications and renewable energy are growing rapidly, and may become strategic sectors for the region in the short to medium term. There is also huge potential for growth in banking and financial services, international contracting, and business services. However, the full potential of these sectors remains unexploited due to the lack of reliable transport and telecommunications infrastructure to connect the IOC states with the wider CES regional grouping. Other constraints include the lack of a legal and regulatory framework for trade in services, and impediments to the free movement of persons. While there have been efforts to improve governance and the business environment, much remains to be done, especially in Madagascar and Comoros.

**Growth performance by country**

In Comoros, the services sector contributed 45.3 per cent to GDP in 2010, followed by the agriculture sector at 44 per cent, and the industrial sector, at only 10.7 per cent of GDP in 2010. Economic growth in 2010 was negatively affected by political tensions related to the democratic transition process, and a shortfall in external demand for the country’s most important cash crops, ylang-ylang and vanilla (Comoros is the world’s leading producer of ylang-ylang and the second world’s producer of vanilla after Madagascar). Long-term sustainable growth will depend on strengthening political governance, diversifying exports, improving the business environment, and providing the infrastructure necessary for private sector development, including in the tourism sector. In 2010, Comoros ranked 121st out of 139 countries on the World Governance Index.

In Madagascar, the composition of the economy has not changed over the past 30 years. The services, agriculture and industry sectors represent 58, 28 and 14 per cent of GDP, respectively. Political instability over the past years has led to the closure of preferential access to the United States and EU markets for Madagascar’s textile products; a suspension of development aid; and a freezing of infrastructure and public works financing. Foreign investors face a high risk of expropriation and discretionary revision of concession contracts. The country represents significant investment opportunities if governance is improved. Madagascar currently ranks 104th on the World Governance Index.

In Mauritius, a relatively diversified economy combined with long-term political stability has resulted in steady growth, driven by the services sector, particularly real estate and business activities; transport, storage and communications; and financial intermediation. The banking and financial sector, considered by analysts to be mature and healthy, represents 12 per cent of GDP and has played a critical role in growth by facilitating access to lower-cost credit for private sector firms. The traditional sectors of tourism, fisheries and textiles have nearly recovered from the effects of the global crisis. However, the economy is highly dependent on the EU market and remains vulnerable to external shocks. The challenges are to diversify export markets, enhance productivity and competitiveness in traditional sectors, strengthen governance, and improve transport and communications infrastructure. Mauritius ranks 30th on the World Governance Index and 1st in Africa in the Doing Business Indicators.

In Reunion, which is an overseas Department of France, efforts to diversify the economy include the development of high-intensity knowledge, renewable energy, and ICT. French internal transfers (45 per cent of GDP in 2009) and EU structural development funds (€1.89 billion for the period 2007-2013) have enabled Reunion to develop infrastructure that connects it with the rest of its national territory (France) and the African continent. The global financial crisis and European debt crisis caused real GDP growth to fall in 2009 and 2010. Growth turned slightly positive in 2011, aided by strong performance in the tourism sector. Challenges include promoting productive activities oriented toward markets other than the EU, and increasing the competitiveness of local production against imports. Local enterprises now provide only half of consumption needs and a mere quarter of employment. The development of the local private sector, in particular small and medium-size (SME) industries, is critical for economic growth and job creation.

In Seychelles, the services sector represents roughly 73 per cent of GDP in 2010, compared to 20 per cent for industry and only 2.4 per cent for agriculture. Tourism has been the main driver of growth after the global financial crisis, due in large part to Government efforts to develop new markets, increase flights to Seychelles, and construct high-end tourism infrastructure. Other growth drivers are the construction and ICT sectors, and the positive impacts of the
Government’s economic reform program. However, growth remains fragile and subject to structural constraints. The country ranks 103rd out of 183 countries for ease of doing business, lack diversification, and imports most food commodities. The fisheries industry is still suffering from a lack of infrastructure, declining fish stocks, and increasing acts of piracy in Seychelles’ waters. The latter also affects the yachts and cruise ships segment of the tourism sector and the price of food imports.

2.3. Macroeconomic Policy and Performance

The macroeconomic environment in four out of the five IOC Member States is relatively stable as a result of prudent fiscal and monetary policies implemented during the past ten years (Reunion’s macro policies are not considered here because they are aligned with France). However, the policies of the different countries are not convergent due to the lack of a regional policy and to the structural differences among the economies.

All four countries have huge structural current account deficits, reflecting their high import dependency and low export performance. All are characterized by large budget deficits except for Seychelles, which shows a surplus as a result of strict IMF programs during 2008-2011. Reunion, and to some extent Comoros, have benefited from remittances and the fixed exchange rate arrangement with France. Mauritius, Madagascar and Seychelles have an independent monetary policy framework, with flexible exchange rate regimes that allow adjustments when...
necessary to restore internal and external equilibrium.

3.1. Regional Trade

Despite the political will and efforts of the IOC Secretariat and Member States to accelerate economic and trade cooperation, intra-IOC trade has been very limited – averaging only 3.2 per cent of total IOC trade for the period 2008-2010 (Table 1).

The composition of this trade is much more diverse than trade with the rest of the world. While intra-regional exports are dominated by limited amounts of manufactured products / intermediates and raw materials (textile semi-finished, fiber, paper, soap, lumber, animal feed, fish and shellfish, nuts, vegetables), exports to the rest of the world (mainly the EU) are mostly primary products (vanilla, ylang-ylang, minerals).

### Table 1: Share of intra-IOC trade in total trade of the IOC

<table>
<thead>
<tr>
<th>Member States</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>Average 2008-2010</th>
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<tr>
<td>Comoros</td>
<td>3.6</td>
<td>4.0</td>
<td>2.9</td>
<td>3.5</td>
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<tr>
<td>Madagascar</td>
<td>2.4</td>
<td>4.5</td>
<td>3.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Mauritius</td>
<td>2.3</td>
<td>3.2</td>
<td>2.2</td>
<td>2.5</td>
</tr>
<tr>
<td>Reunion</td>
<td>4.4</td>
<td>4.3</td>
<td>4.2</td>
<td>4.3</td>
</tr>
<tr>
<td>Seychelles</td>
<td>5.2</td>
<td>4.5</td>
<td>1.5</td>
<td>4.1</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2.9</td>
<td>4.0</td>
<td>2.9</td>
<td>3.2</td>
</tr>
</tbody>
</table>

Source: International Trade Centre (ITC); Annuaire sur la Coopération de la Réunion 2011.

Constraints to intra-regional trade include inadequate maritime and aviation infrastructure, absence of an effective trading regime, lack of progress in creating an integrated economic and commercial zone, and the limited movement of persons and professionals. Added to these are the Secretariat’s weak institutional capacity for setting standards and resolving trade disputes.

The IOC authorities and Member States are aware that strengthening economic and trade cooperation within the region is strategically essential to unleash the potential of a broader regional market. To that end, Comoros, Madagascar, Mauritius, and Seychelles have signed an interim Economic Partnership Agreement (EPA) with two of their closest neighbors on the continent, Zambia and Zimbabwe. Negotiations on the final agreement are still ongoing, and are focused on (a) harmonized regional market access rules for EU exports to the region; (b) rules and commitments on services and investment; (c) trade facilitation and cooperation on technical barriers to trade, sanitary and phytosanitary standards and rules of origin; and (d) issues such as intellectual property rights, competition, transparency in government procurement, and sustainable development.

The IOC has also joined the CES Tripartite process, launched by the Heads of States of member countries with a view to implementing a free trade agreement (FTA) among the three regional economic communities (RECs) by 2012. The main purpose of the CES Tripartite agreement is to harmonize the commitments of the three RECs. This process aims to (a) create a single market “from Cape to Cairo”; (b) minimize the challenges of multiple memberships and accelerate the process of regional and continental integration; and (c) establish a Tripartite FTA within the CES.

Other efforts toward integration include (a) the adoption of an Aid for Trade Strategy (ATS), which aims to increase food security and promote integration with COMESA; and (b) the creation of an economic and trade area among Member States aimed at boosting the regional integration process as a vector of development, and preparing the region and its economic actors to meet the challenge of globalization. This new economic and trade space is designed to be coherent with the Tripartite process, with the four IOC states (all except Reunion) expected to work together to implement the Tripartite initiative roadmap, while reserving their rights to
apply the principle of “variable geometry” in areas such as liberalization of services, which remains a very important area for the IOC. The IOC economic and trade area will build on already initiated actions aimed at:

- Lowering transport and communication costs, including through more competitive broadband connectivity;
- Developing a regional tourism strategy and industry using “Vanilla Islands” branding, based on private sector ventures and the complementary tourism assets and attractions of the different islands;
- Developing regional agro-industry subsectors. Madagascar, with its vast agro-industry potential, will become the region’s main source of food staples, as per the Regional Food Strategy. With the IOC region now a net importer of staple food products, there is also an opportunity for the IOC states to set up regional joint ventures in food production, and mechanisms to facilitate intra-regional trade of agricultural and agro-industrial products.

3.2. Private Sector Development

There are different levels of private sector development in the region, as reflected in the states’ business environment rankings. While Mauritius is classified 23rd out of 183 countries, according to the 2012 World Bank Doing Business Indicators, Comoros ranks 157th, and Seychelles and Madagascar rank 103rd and 137th, respectively. Aside from Reunion, which benefits from its interaction with major French companies and French government investment in infrastructure and renewable energy, the region attracts a low level of foreign investment compared to other RECs. FDI flows to the IOC were US$1.67 billion in 2010, compared to US$2.1 billion and US$4.6 billion to EAC and CEMAC. Madagascar attracts most of the FDI in the region (51.5 per cent of the total in 2010). However, Mauritius is the largest investor in other IOC Member States, and its private sector has an exceptional presence and dynamism in the region, due in large part to its proactive pursuit of bilateral trade agreements. Major investments by Mauritian firms are targeted towards tourism (hotel construction) in Seychelles; and to the telecom, financial, and manufacturing (mainly textiles and sugar) sectors in Madagascar.

Despite these important signs of progress, private sector development in the region continue to be constrained by difficult access to credit, and by:

- Low availability of regional infrastructure, particularly maritime and aviation infrastructure, which hinders the movement of goods and increases the cost of transport. In Madagascar, the poor state of road networks and the lack of electricity also hinder the effective exploitation of the potentials in agricultural sector;
- Lack of policy harmonization, rules of origin, and
mechanisms for resolving trade disputes, which makes it difficult for companies to establish themselves and develop strategic partnerships across the region;

- Lack of a private sector development strategy or an entity that specializes in removing constraints that hinder private sector development;
- High cost of inputs, due to high transport, energy and labor costs.

The IOC has identified the following areas of private sector development as critical for the region: (a) food security and agribusiness; (b) ICT; (c) tourism; (d) finance; and (e) maritime trade, including port services. Particular importance has been placed on tourism (the “Vanilla Islands” concept) and agribusiness (particularly in Madagascar), both of which have high growth potential and offer huge opportunities for economic cooperation. Cross-cutting efforts in the areas of capacity building and knowledge transfer are also needed to encourage regional collaboration.

Member States have also created structures for advancing public-private dialogue and improving the business environment. At the regional level, the Union of Chambers of Commerce and Industry of the Indian Ocean (UCCIIO) was organized to strengthen regional economic integration through trade promotion and inter-island productive investment. The UCCIIO also aims to promote strategic networks and facilitate the establishment of private sector partnerships in growth-driving sectors.

### 3.3. Regional Infrastructure

The African Infrastructure Country Diagnosis (AICD) and the Program for Infrastructure Development in Africa (PIDA) do not consider the IOC Member States to be a regional grouping of countries, and therefore do not provide the region with the same type of support for its integration efforts that is provided to COMESA, SADC and EAC. Instead, most support is provided to individual states by individual development partners (Table 2).

#### Table 2 Key Partners and Respective Interventions in the Infrastructure Sector

<table>
<thead>
<tr>
<th>Member States</th>
<th>Development Partners</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Energy (renewable)</td>
</tr>
<tr>
<td>Comoros</td>
<td>EU, AFD*, Moroccan Fund*, ABEDA*</td>
</tr>
<tr>
<td>Madagascar</td>
<td>EU, AFD, WB, ADB, ABEDA</td>
</tr>
<tr>
<td>Mauritius</td>
<td>AFD, Arab Bank, KF</td>
</tr>
<tr>
<td>Reunion</td>
<td>EU, AFD</td>
</tr>
<tr>
<td>Seychelles</td>
<td>ADB, EIB</td>
</tr>
<tr>
<td>IOC</td>
<td>AFD, EU</td>
</tr>
</tbody>
</table>

(*) Unspecified infrastructure sector

#### Infrastructure constraints by sector

The development of regional infrastructure in the IOC is constrained by lack of financing, limited private sector participation, limited human resources, and lack of policy coordination and harmonization. The region also lacks an integrated approach to creating synergies and spillover effects among sectors. For example, trade facilitation cannot be addressed if infrastructure and private sector development are not included in the Aid for Trade Strategy (ATS). Similarly, infrastructure development, trade facilitation and private sector participation are required to address food security and increase tourism. The key constraints in each infrastructure sectors are described below.

**Maritime transport.** The region faces major constraints in regional maritime transport infrastructure, which undermine the potential of the key sectors of tourism and agro-industry, and hinder efforts to integrate with the continent. There is no regional maritime transport infrastructure development strategy, and the three international ports that could serve as regional hubs (Port Louis, Port Reunion and Port of Toamasina) remain largely in the hands of public authorities. There is little private sector activity, except in the shift toward private sector handling of container cargo and some tourism transport. The lack of effective regional shipping services adds, on average, 30 to 40 per cent to the cost of imports and exports. Private shipping firms have not been successful
because of the limited size of markets, long distances, and limited food production in Madagascar, which until now has not realized its potential to meet the food security needs of the entire region. Finally, increasing acts of piracy against private cruise ships harms high development potential of tourism’s yacht and cruise subsector, which now accounts for only 0.37 per cent of the global market.

**Air transport.** The ability of the region’s air transport sector to connect the islands is hindered by exorbitant freight costs and limited air traffic rights. In addition, some national airlines do not meet minimum safety standards, and have lost the right to operate in Europe. The UCCIIO is very involved in regional discussions to find solutions to these issues. In the meantime, there are ongoing negotiations with the EU to encourage EU airlines to service the region. Efforts are also underway to improve security in the sector through regional harmonization of air surveillance. The latest generation air surveillance system, Automatic Dependent Surveillance (ADS-X), has been tested by Reunion, Madagascar and Seychelles. These countries are now ready to replace their individual country air surveillance systems with the harmonized ADS-X approach.

**Road infrastructure.** The poor quality of aging domestic road networks increases the costs associated with maritime shipping, and negatively affects investment in maritime infrastructure. Compounding this is the monopoly of certain road transport carriers, which makes it difficult to enforce safety standards. The projected investments in the Port of Ehoala and in road infrastructure leading to the port are likely to facilitate trade by improving access to the southern regions of the country.

**Renewable energy.** Renewable energy contributes to the generation of electricity and energy in all Member States – an estimated 15 per cent in Comoros, 23 per cent in Mauritius, 36 per cent Reunion, 5 per cent in Seychelles, and 60 per cent in Madagascar, which is highly dependent on renewable energy because of its low level of electrification. There are numerous regional and bilateral initiatives underway in the sector, notably the bilateral partnership between Reunion and Mauritius to develop electricity from renewable energy sources (in particular bagasse) and protect the environment through waste management and sustainable consumption of electricity. Reunion has also been investing in research and development aimed at bio-ethanol production from microalgae and electricity generation from ocean currents. In the region as a whole, however, growth of the sector is constrained by lack of financing, inadequate legal and regulatory frameworks for private sector participation, lack of mechanisms for dispute resolution, limited knowledge sharing, lack of policy harmonization, and the absence of centers of excellence to provide skilled labor for the sector.

**ICT.** Most IOC countries have reasonably well-developed national ICT backbones on their main island, but few connections on secondary islands. International connections to the region are limited and very expensive. Mauritius and Reunion are currently served by the South Africa Far East (SAFE) network. The Lower Indian Ocean Network (LION) provides a second link to Madagascar, with a planned link connecting Mayotte (an island state not in the IOC) to Mombasa, Kenya. None of the submarine cable networks in the eastern part of the continent includes all the IOC Member States. The region lacks the fiber optic networks needed for reliable high-speed internet, which is a prerequisite for expanding tourism and international trade.
Despite efforts at reform, an unfavorable regulatory environment constrains development of the broadband market. A regional effort to put in place a common fiber optic network has been slow to materialize.

To address these constraints, the future regional strategy for the IOC will incorporate sector programming tools, in particular for multi-sectoral regional infrastructure. There are also efforts to strengthen cooperation in research and development, particularly for renewable energy; to develop and harmonize sector regulations; and to facilitate knowledge sharing and technology transfer.

3.4. Agriculture, Fisheries and Sustainable Development

The agriculture and fisheries sectors represent both a real potential for sustainable economic development and the achievement of food security in the IOC Member States. The analysis on growth drivers clearly illustrates the importance and contribution, for instance, of the agriculture sector to GDP in these countries. Both sectors are important for the Bank to promote the Inclusive Growth Agenda through job creation and poverty reduction. In addition, the two sectors are closely related to the environmental sector, henceforth requiring a sustainable development approach to growth under environmental safeguard for the IOC Member States.

Agriculture

The agriculture sector remains underdeveloped and subject to multiple common constraints, including, among others: limited land surface under the pressure of population growth, climatic conditions exposing crops and livestock to
health risks, high dependence on imports of agriculture inputs, and limited access to international market. For instance, Madagascar, which is the basket of food supply for the region, faces many challenges that often threaten this crucial role, such as: (i) lack of financing – the share of the agriculture sector in the state budget decreased to around 20 per cent in 2010 compared to the pre crises period, (ii) insufficient infrastructure as shown by the 2010 African Infrastructure Development Index (AIDI), (iii) low productivity resulting from lack of mechanization and modernization of agriculture technics, (iv) poor business environment especially in terms of difficult access to land and credit for agriculture activities, and (v) lack of research and development while the sector is particularly vulnerable to plagues and crops’ diseases. Despite the willingness and engagement of the IOC Members States in developing sustainable agriculture to enable food security, it should be noted that gaps exist for meeting this challenge. An example is the limited number of active regional projects or initiative aimed at promoting agriculture development. As of end 2012, there is only one active project – the “Regional Initiative for the Adaptation of Small-scale Agriculture to Climate Change in the Islands of the Indian Ocean” – financed with the support of the EU.

Fisheries

In spite of its potential that could be capitalized with the improvement of maritime transport, development of the fisheries sector in the IOC Member States has been proven to be much complex when compared to other sectors. Poor infrastructure and knowhow, limited access to international markets, primarily the European and USA due to non-compliance with and respect of rules of origins, health sanitary measures and environmental adherence, and weak reporting system with regard to illegal and unregulated fishing, have been indicated as the main handicaps affecting the sector’s development. Compounding the challenges is the act of piracy that affects both the security of fishing fleet and the economic viability of the fishing activity. To address these development constraints, significant efforts have been made to ensure sustainable management of species, to comply with health sanitary regulations and traceability, and to improve the security in Indian Ocean. Among others the following actions have been recorded: (i) adoption in 2010 of a regional strategy for fisheries and aquaculture, (ii) training of independents and accredited experts and establishment of laboratories and relevant institutions to proceed with necessary certifications (excluding in Comoros and to a minor extent in Madagascar), (iii) establishment of fishing ports equipped with cold storage in all of the IOC Member States (to a minor extent in Comoros and Madagascar), and (iv) increasing presence of patrol vessels using high technologies (e.g., radar, satellites) to deter illegal fishing and act of piracy.

Environment and Sustainable Development

Protecting the population from the effects of natural disasters and global warming is of paramount importance to the IOC. Efforts to strengthen regional capacity in these areas over the past five years have included (a) formalization of the Mutual Assistance Network and reinforcement of regional capacity in terms of civil protection, with the

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1 The share of the agriculture, fisheries and forestry sectors in the 2010 state budget was only 11.6 percent according to the World Bank’s Revue des Dépenses Publiques Madagascar: Politique budgétaire et investissement public en période d’instabilité politique. (September 2011).

2 AIDI is a composite of five indicators: (i) net electricity generation (kilowatt-hours per capita); (ii) total mobile and fixed-line telephone subscribers (percentage of total population); (iii) paved roads (percentage of total roads); (iv) access to water (percentage of population); and (v) access to sanitation (percentage of population). In 2010, Madagascar’s AIDI score was 14.38 out of 100, ranking 48th out of 53 countries; and the country has the lowest AIDI within the four African IOC Member States.

3 In the framework of the Regional Plan for Fisheries Surveillance (PRSP), 28 joint surveillance missions representing over 800 days of sea patrols, 700 hours of air patrols have been carried out. Twenty offences were identified and seven boarding and inspections were ordered (see annex 5 for details on the project).
support of the French Cooperation; and (b) a pilot Regional Program on Prevention and Management of Risk of Natural Disasters, aimed at reducing the human and economic impact of natural disasters, supported by the AFD. In addition, the EU’s 10th EDF is providing between €170,000 and 250,000 over 2011-2014 to finance alert systems, strengthen disaster resistance in post-disaster reconstruction projects, and promote awareness of climate change-related risk among the local authorities and population. At the country level, Comoros has integrated risk management by the Emergency and Civil Protection Centre (COSEP) into its national growth and poverty reduction strategy, with the support of UNDP; Madagascar has developed a national strategy for disaster management, also in partnership with UNDP, which focuses on long-term national capacity building as well as regional and international cooperation; Mauritius has established a National Centre for Disaster Management, to complement the existing initiatives such as the National Committee of Natural Disasters; and Seychelles coordinates its disaster responses through the National Committee for Disaster Management.

3.5. Social Cohesion, Civil Protection and Security

Social and human developments are priorities for the IOC Secretariat and the individual Member States. The Secretariat aims to minimize disparities in health, education, social welfare, and disaster preparedness among the states by aligning national strategies with regional strategies and leveraging the states’ capacity to contribute to programs at the regional level. This is particularly important for Madagascar and Comoros, which have suffered from political instability and frequent natural disasters.

Health and Regional Cooperation

The region has achieved significant progress in terms of health sector development, but the states show substantial discrepancies in some health indicators. Mauritius and Seychelles allocate more than 20 per cent of their national budgets for health expenditures, and display levels of health relatively close to those of developed countries. Comoros and Madagascar allocate 8 and 9 per cent, and their health indicators are close to Sub-Saharan Africa averages. Development is threatened by pandemics associated with poverty and natural disasters, particularly rabies, polio, measles, and malaria. HIV/AIDS is also a persistent problem. Given the IOC’s prospects for increased trade and tourism, strengthened mechanisms and alert protocols are essential to prevent the spread of disease across the region. To that end, the IOC has partnered with other institutions to launch three main programs: (a) URSIDA, a partnership with the Ministry of Foreign Affairs of France, aimed at training approximately 100 medical personnel in emergency services; (b) AIRIS, in cooperation with the Bank and UNAIDS, aimed at improving the quality of life of people living with HIV/AIDS,
and increasing screening in remote areas; and (c) RSIE/SEGA, a joint initiative of the IOC and the African Development Fund, aimed at minimizing the risk of epidemics across the states through the regular exchange of sanitary information.

Education and Regional Cooperation

The region has made significant progress in improving access to education and training, but lacks a critical mass of professionals in key areas such as disaster risk management, food security, renewable energy, maritime infrastructure, tourism, and health and sanitation. To address these shortcomings, the IOC plans to develop exchange programs among the region’s universities and research centers, as well as centers of excellence to train a network of technical experts. The IOC is already benefitting from the work of the Regional Multidisciplinary Centre of Excellence (RMCE) in Mauritius, led by COMESA, which represents one of the few initiatives in the education and research sector supported by the development partners in the region. The RMCE promotes exchanges between the universities of the IOC Member States and those in the rest of Africa, Asia and Europe, with the aim of strengthening the capacity of IOC experts to efficiently manage regional integration processes and challenges.

Civil Protection and Maritime Security

The IOC promotes information sharing and best practices among Member States in the areas of security, governance, and combatting trafficking and fraudulent activities. The Convention on Regional Security, signed by the states in March 2006, promotes exchanges in the areas of judicial policy, administrative and public order, and security police. The region also benefits from an EU-funded €23 million maritime security program that aims to reinforce national and regional capacity to arrest, transfer, and detain pirates, and to mitigate the negative economic impact of piracy on Member States. Other initiatives include (a) the IOC Regional Security Platform (2007-2008), which facilitates information sharing among the national security services in areas such as trafficking, terrorism, illegal fishing, and financial malpractice; and (b) the IOC Regional Judiciary Platform, which facilitates regional cooperation on judicial matters. Most assistance provided by development partners to address security-related challenges is channeled through the African Union. The French army also has bilateral and multilateral privileged liaisons with both the IOC and SADC Member States, aimed at providing support to the AU African Standby Force (ASF), and developing the air force and navy in the concerned countries. Other bilateral exchanges between Member States entail information sharing between Mauritius and Seychelles in the fields of air force and naval expertise; and between Reunion and, respectively, Mauritius, Seychelles and Madagascar on the development of
4. Challenges and Opportunities for Regional Cooperation

make it difficult to define common objectives and regional projects that could reduce shipping costs and increase economies of scale. The fragmented markets, high costs of doing business, and lack of start-up capital are also major constraints to private sector development and expansion in the region.

Risk of marginalization in wider regional groupings. The risk of being marginalized by regional strategic frameworks is compounded by the CES Tripartite Arrangement, which creates a semi-continental integrated group of 26 countries on the continent, with a total population of close to 600 million and a cumulative GDP of more than US$850 billion.

Participation of Reunion in IOC regional initiatives. Reunion’s participation in regional initiatives may require the establishment of new regional policies, which implies a possible conflict between IOC and EU legal and regulatory frameworks, particularly for trade. In cases where policies cannot be reconciled, Reunion might be forced to opt out of the IOC framework.

Risk of natural disasters and climate change effects. A key challenge for the region is to consolidate efforts to strengthen the capacity of national and local authorities to limit the impact of natural disasters and to provide post-crisis assistance across the five island states.

Piracy and maritime insecurity. The national police, justice, and defense services of the IOC Member States lack sufficient resources to combat drug trafficking, clandestine immigration, falsification of documents, terrorism, maritime piracy, illegal fishing and sexual tourism. They also lack the resources to fulfill regional security objectives and consolidate peacebuilding.

Opportunities include:

Ease of achieving consensus. The small number of member states makes it easier to achieve consensus than in larger regional groups, such as SADC (15 members) or COMESA (19), when regional-level intervention is necessary to address both common and country-specific challenges.

Membership of France/Reunion in the IOC regional grouping. The France/Reunion membership has significant
potential to strengthen the region’s economic and political profile, given its specialized institutions in agri-business and biotechnology and its ability to attract French and EU private sector investment.

Expansion of market and economies of scale. The limited size of the IOC economies presents an opportunity to expand possibilities for intra-regional trade, which could lay the foundation for sectoral specialization and export market diversification, including towards African countries and emerging economies.
5. **A Framework for Strategic Cooperation with the IOC Member States**

5.1. **Review of the Bank’s Intervention at Country and Regional Levels**

Given its limited resources in relation to the needs of the IOC region, the Bank will focus its efforts on areas where it has a clear comparative advantage and expects to make a substantial contribution to addressing the structural constraints to growth. The guiding principles of Bank support are elaborated in Box 1. Identification of specific interventions will be based on the commitment and ownership of key stakeholders (regional and national institutions, private sector, civil society), and their political will to translate Bank assistance into concrete actions. To promote ownership, the local partners will fully participate in the design and implementation of projects, and actively participate in monitoring and evaluation activities.

**Box 1 Guiding Principles to Accelerate Trade and Economic Cooperation within the IOC**

Trade and economic cooperation within the IOC could be accelerated through a package of measures and reforms aimed at achieving five main strategic objectives:

1. **Elimination of all Unnecessary Tariff and Non-Tariff Barriers to Trade:**
   - Eliminating or drastically reducing quotas, embargoes, permits, import licenses, TBTs such as norms, SPS, and other prohibitions placed on imports;
   - Simplification of rules of origin; and
   - Reduction of tariffs barriers/measures according to an agreed target and timeline.
2. **Promoting Trade in Services:**
   - Establishment of a mobility regime for professionals (such as contractual services suppliers and independent professionals, e.g., financial professionals, legal experts, and engineers, etc.), notably through visa facilitation/elimination; and
   - Liberalization of trade in services, in particular in transport, telecommunications and financial services.
3. **Improving the Business Regulatory Framework:**
   - Improving the IOC Member States’ ranking in the Ease of Doing Business;
   - Improving the states’ ranking in the Corruption Perception Index;
   - Improving perceptions of governance;
   - Implementing Double Taxation Avoidance Agreements and Investment Promotion/Protection Agreements; and
   - Facilitating the flow of capital and creating a networking of agreements to attract investments to the region.
4. **Improving Trade Facilitation and Logistics Performance Index:**
   - Reducing costly delays at entry and exit ports; and
   - Enhancing customs facilitation and transit regimes critical for maritime shipping and logistics.
5. **Capacity Building through Peer Learning and Support:**
   - Public-private partnerships;
   - Trade and investment facilitation; and
   - Research and development.

Source: Concluding outcomes of the seminar, “Mauritius Experience – Deepening Cooperation with the African Development Bank and its Regional Member Countries”, Tunis, Tunisia, September 2012.
These guiding principles address the most immediate structural needs to support integration. Other sectors of equal importance for the region, such as human capital development, transport infrastructure, environment protection, food security, and mobility of professionals, will be addressed in future programs. The three main areas of cooperation derived from these principles are shown in Figure 2.

The first set of interventions, Area of Cooperation N°1, will seek to incentivize the IOC Secretariat to go beyond its functional responsibilities and embrace a strategic role in designing and implementing regional projects and programs for trade facilitation and investment promotion. Area of Cooperation N°2 will support regional transport for which political willingness of Member States, and effective commitment from development partners, are in place or in the process of being mobilized. Area of Cooperation N°3 will support natural disaster response management, consistent with the Sustainable Regional Development pillar of the IOC’s new strategic guidelines.

5.2. Institutional Capacity Building of the IOC Secretariat, Member States and Private Sector

Strengthening the capacity of the IOC Secretariat, Member States and non-governmental partners, particularly the private sector, is a precondition for pursuing any other strategic objective. The IOC has been essentially functioning as repository of grants, with a limited role in designing and implementing regional initiatives. The organization needs to be institutionally strengthened so it can play its necessary role in promoting and supporting integration within the IOC, and eventually integrating the IOC into COMESA, SADC and the Tripartite CES. The IOC also aims to play a more prominent role in promoting public-private partnerships (PPPs), especially in the area of infrastructure financing. This requires developing a regional platform for public-private dialogue, and enhancing the capacity of the UCIIIO and its member Chambers of Commerce to participate in defining regional trade facilitation and investment programs and PPPs.
The first Area of Cooperation will focus Bank support on:

- IOC Secretariat: The creation of a Strategic Planning and Economic Trade Division housing three specialized units focused on (a) strategic planning and resource mobilization; (b) economics and trade; and (c) planning and technical support for regional infrastructure development. This agency would play a proactive role in implementing key reforms to accelerate trade and economic cooperation;

- National institutions in charge of trade and investment promotion: Strengthening the capacity of national institutions to (a) implement decisions made at the regional level aimed at promoting intra-regional trade and investment; (b) promote and mobilize investment for PPPs; and (c) support exchanges of experiences and best practices on PPPs and improving the business environment; and

- Private sector institutions / associations: Efforts by the UCCIIO and national Chambers of Commerce to: (a) foster dialogue on opportunities for private sector participation in the regional integration process; (b) develop knowledge networks focused on sharing best practices and identifying opportunities for trade and investment in the region; (c) promote the development of results-based PPP initiatives, and develop dedicated PPP funds in close collaboration with local governments and private sector representatives; and (d) promote partnerships between the public and private higher learning/training institutions, and between the educational system and industry, in order to meet labor market demands and enhance the mobility of skilled workers among the Member States.

5.3. Regional Infrastructure Development

The proposed second Area of Cooperation aims at addressing the region’s infrastructure gaps. Due to the enormity of the infrastructure needs, technical and financial cooperation with other development partners will be of paramount importance. As the development of transport infrastructure will require a political decision to establish a regional port, a maritime shipping system and settle the internal barriers in Madagascar (political crisis, restructuring of the agricultural sector, internal transportation), the Bank will focus its support in the near term on developing energy infrastructure and telecommunications.

The second Area of Cooperation will focus Bank support on:

- The energy sector: (a) preparation of a strategy, blueprint and investment plan for the sector; (b) establishment of a facility, housed in the Bank’s Energy Department, to co-finance investments in renewable energy and facilitate technical and financial partnerships with the private sector; (c) establishment of a regional observatory on best practices in renewable energy to allow investors and professionals to access information on existing companies and renewable energy projects; (d) creation of a regional university program aimed at strengthening links among universities, and relying in particular on the “Ecole Polytechnique de Madagascar,” which trains water engineers; and (e) provision of technical and financial assistance to carry out studies on: (i) the renewable energy potential in each Member State; and (ii) regional harmonization of sectoral policies, legislation and regulatory procedures; and

- The ICT sector: (a) preparation of a harmonized Regional Master Plan for the sector, covering issues such as access doors, available bandwidth capacity, pricing policies, and access to information for investors; (b) improved coordination between regulators and private sector operators to strengthen monitoring of the sector liberalization process; (c) capacity building programs for private operators and regulators in partnership with universities, following the example of the Academy of ICT in Mauritius; and (d) establishment of a working group to oversee preparation of projects in the ICT sector. The working group will comprise the IOC Secretariat, along with representatives of relevant Ministries of Member States, the private sector, and technical and financial partners. It will be supported through the Bank’s Infrastructure Project Preparation Facility (IPPF) and other available instruments and frameworks.
5.4. Natural Disaster and Regional Pandemics Response Management

Bank assistance in disaster response management will support:

- Capacity building in response management of relevant regional and national institutions;
- The creation of a regional centre of excellence focusing on environment and management of risk of natural disasters; and
- Reconstruction of social and productive infrastructure destroyed by natural disasters.

Bank assistance in pandemic response will support:

- Establishment of a regional response coordination mechanism; and
- Creation of regional centre of excellence for infectious diseases. This action will be part of the “Support Capacity Building Project for Achieving the MDGs in Related Areas of Health in the IOC Member States,” for which the Bank is currently mobilizing resources.

The RISP for Eastern and Southern Africa are presently the two strategic frameworks governing the Bank’s support to the IOC regional grouping. However, neither addresses the challenges and priorities of the IOC. If the RISPs remain the strategic framework for the Bank’s regional operations in the IOC, it will be important to ensure that their mid-term reviews explicitly take the main proposed actions for the IOC into account, and specify how they will be implemented.
6. Recommendations for Programming Support to the IOC

While a mid-term adjustment of the RISPs would be a positive step, it would be preferable for the IOC to have a dedicated regional integration strategy paper; however, it would be preferable if a dedicated regional integration strategy paper were prepared for the IOC region, in view of the specific challenges facing the IOC Member States as a result of their insularity, and of the risk of marginalization of IOC priorities within broader regional groupings. In addition, within the current Bank’s configuration, each of the IOC Member States belongs to a different regional department: Comoros to OREB, Madagascar to ORCE, Mauritius to ORSB, and Seychelles to EARC. This could hamper the Bank’s future intervention by affecting coordination and impeding synergies between projects/activities.

Another option for the strategic framework for the Bank’s regional operations could be the establishment of a new dedicated regional strategic program for the IOC regional organization. This will enable the Bank to specifically target the IOC Member States by providing a dedicated assistance taking into account the challenges of island states.

The overarching objective of this study is to identify areas where the Bank can provide support to the IOC, given its mandate and available financial and technical resources. With a view to fast tracking the implementation of identified actions, it is recommended that the proposed areas of cooperation be broken down into concrete projects and programs. Following approval of the study by Bank management, a multi-sector mission should be conducted to identify key projects and programs. The mission, to be led by relevant Bank Departments and the IOC Secretariat, should also hold discussions with Member States on key implementation issues, including the need to establish a dedicated working group for each regional initiative and project identified.

Upon identification of potential projects and programs, the next step will be to mobilize resources through the Bank’s various financing instruments and from technical and financial partners. To promote private sector participation in the financing of regional infrastructure, it is recommended that a facility be established to co-finance regional projects, as well as to provide additional resources to ongoing projects to ensure their financial and operational viability.

For activities for which resources are already available (such as the Fragile State Facility to support capacity building of the IOC Secretariat) or are in the process of being mobilized (such as ongoing discussions regarding grants for a health sector project and a research and innovation project), it is proposed that implementation begin as soon as the resources are mobilized, even before the relevant study is finalized. Thereafter, these activities could become part of the institutional capacity building activities identified by the study.

For the purpose of ICT regional infrastructure, it is recommended that the Bank establish a dedicated regional working group for project preparation and resource mobilization, and provide technical support to the group for the duration of project preparation. Upon the identification of financing resources, the working group would be replaced by the Strategic Planning and Technical Support for Regional Infrastructure Development Unit, housed in the Secretariat which would be responsible for implementing the project.

Another recommendation is related to the objectives of the IOC Member States to fully integrate with COMESA, SADC and the CES Tripartite process, and be connected to the African continent. To help further these objectives, the Bank could encourage the NEPAD Secretariat and the AU to consider expanding the Program for Infrastructure Development in Africa (PIDA) – the main programmatic instrument to promote connectivity within the continent – to include the IOC region.

Finally, the Bank’s support to the IOC should be evaluated prior to starting a new implementation phase of projects and programs, in order to draw lessons learned from the Bank’s current interventions – including at country level – and to measure the impact of the Bank’s support to regional integration within the IOC.
### ANNEX 1 KEY ECONOMIC AND SOCIAL INDICATORS BY REGIONAL MEMBER STATES

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Comoros</th>
<th>Madagascar</th>
<th>Mauritius</th>
<th>Reunion / France</th>
<th>Seychelles</th>
</tr>
</thead>
<tbody>
<tr>
<td>Surface Area (Km²)</td>
<td>1,860</td>
<td>587,000</td>
<td>1,866</td>
<td>2,504</td>
<td>454</td>
</tr>
<tr>
<td>Population (millions)</td>
<td>0.65</td>
<td>19</td>
<td>1.3</td>
<td>0.8</td>
<td>0.09</td>
</tr>
<tr>
<td>GDP/GNP (US$ billions, 2009)</td>
<td>0.5</td>
<td>8.5</td>
<td>8.0</td>
<td>18.71</td>
<td>0.750</td>
</tr>
<tr>
<td>GDP/GNP per Capita (US$, 2009)</td>
<td>810</td>
<td>410</td>
<td>7,250</td>
<td>23,163(a)</td>
<td>8,450</td>
</tr>
<tr>
<td>Poverty Rate (%)</td>
<td>45</td>
<td>77</td>
<td>&lt;1.5</td>
<td>-</td>
<td>&lt;0.5</td>
</tr>
<tr>
<td>HDI Ranking</td>
<td>163</td>
<td>151</td>
<td>77</td>
<td>-</td>
<td>52</td>
</tr>
<tr>
<td>Under-Five Mortality Rate (/1,000) (2010)</td>
<td>85.6</td>
<td>62.1</td>
<td>15.1</td>
<td>4.1</td>
<td>13.5</td>
</tr>
<tr>
<td>Maternal Mortality Ratio (/100,000 births) (2008)</td>
<td>340</td>
<td>440</td>
<td>36</td>
<td>-</td>
<td>0.4</td>
</tr>
<tr>
<td>Urban Population with Access to Improved Sanitations Facilities (%) (2008)</td>
<td>50</td>
<td>15</td>
<td>93</td>
<td>97</td>
<td>100</td>
</tr>
<tr>
<td>Literacy Rate (2009)</td>
<td>74</td>
<td>64</td>
<td>88</td>
<td>-</td>
<td>92</td>
</tr>
<tr>
<td>School Enrollment on Primary (% net)</td>
<td>78</td>
<td>79</td>
<td>93</td>
<td>99</td>
<td>95</td>
</tr>
</tbody>
</table>


### ANNEX 2 KEY MACROECONOMIC INDICATORS (EXCLUDING REUNION)

<table>
<thead>
<tr>
<th>Indicators</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (Estimation)</th>
<th>2012 (Projection)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COMOROS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP rate (%)</td>
<td>0.6</td>
<td>1.1</td>
<td>2.1</td>
<td>2.5</td>
<td>3.2</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>4.8</td>
<td>4.8</td>
<td>2.9</td>
<td>3.0</td>
<td>2.8</td>
</tr>
<tr>
<td>Budget balance (% of GDP)</td>
<td>-2.6</td>
<td>0.6</td>
<td>4.1</td>
<td>-3.1</td>
<td>-3.6</td>
</tr>
<tr>
<td>Current account (% of GDP)</td>
<td>-11.6</td>
<td>-7.6</td>
<td>-10.2</td>
<td>-11.7</td>
<td>-12.2</td>
</tr>
<tr>
<td>External debt (% of GDP)</td>
<td>49.7</td>
<td>51.9</td>
<td>39.5</td>
<td>34.9</td>
<td>31.6</td>
</tr>
<tr>
<td><strong>MADAGASCAR</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP rate (%)</td>
<td>7.1</td>
<td>-3.7</td>
<td>0.5</td>
<td>0.6</td>
<td>2.4</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>9.2</td>
<td>9.0</td>
<td>9.2</td>
<td>10.1</td>
<td>9.8</td>
</tr>
<tr>
<td>Budget balance (% of GDP)</td>
<td>-1.9</td>
<td>-2.5</td>
<td>-1.6</td>
<td>-1.3</td>
<td>-1.2</td>
</tr>
<tr>
<td>Current account (% of GDP)</td>
<td>-20.6</td>
<td>-21.1</td>
<td>-9.7</td>
<td>-3.4</td>
<td>-4.4</td>
</tr>
<tr>
<td>External debt (% of GDP)</td>
<td>24.2</td>
<td>27.0</td>
<td>29.2</td>
<td>26.3</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>MAURITIUS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP rate (%)</td>
<td>5.5</td>
<td>3.1</td>
<td>4.1</td>
<td>4.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>9.7</td>
<td>2.5</td>
<td>2.9</td>
<td>3.0</td>
<td>3.9</td>
</tr>
<tr>
<td>Budget balance (% of GDP)</td>
<td>-2.1</td>
<td>-6.6</td>
<td>-4.7</td>
<td>-4.4</td>
<td>-4.3</td>
</tr>
<tr>
<td>Current account (% of GDP)</td>
<td>-9.9</td>
<td>-7.4</td>
<td>-7.9</td>
<td>-9.2</td>
<td>-9.0</td>
</tr>
<tr>
<td>External debt (% of GDP)</td>
<td>-4.8</td>
<td>15.1</td>
<td>12.8</td>
<td>15.7</td>
<td>17.7</td>
</tr>
<tr>
<td><strong>SEYCHELLES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real GDP rate (%)</td>
<td>-1.3</td>
<td>0.6</td>
<td>6.0</td>
<td>4.0</td>
<td>4.5</td>
</tr>
<tr>
<td>Inflation (%)</td>
<td>37.0</td>
<td>31.7</td>
<td>-2.4</td>
<td>2.5</td>
<td>2.9</td>
</tr>
<tr>
<td>Budget balance (% of GDP)</td>
<td>-3.4</td>
<td>5.1</td>
<td>2.5</td>
<td>3.8</td>
<td>-0.2</td>
</tr>
<tr>
<td>Current account (% of GDP)</td>
<td>-48.8</td>
<td>-30.3</td>
<td>-22.7</td>
<td>-21.8</td>
<td>-22.2</td>
</tr>
<tr>
<td>External debt (% of GDP)</td>
<td>102.8</td>
<td>140.1</td>
<td>84.0</td>
<td>82.0</td>
<td>45.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>CSP</th>
<th>Duration</th>
<th>Pillars</th>
<th>Main components</th>
<th>On-going or proposed projects/activities[^1]</th>
</tr>
</thead>
</table>
| **Comoros** | | 2011-2015 | Development of the Energy Sector in support to Economic Diversification | - Enhanced private sector competitiveness and economic diversification  
- Strengthening economic governance through support for structural reforms, public finance management and improvement of the business environment | - Drinking Water and Sanitation Project (on-going)  
- Capacity Building Project Support (on-going)  
- Energy Sector Project Support (proposed)  
- Budget support (proposed)  
- ESW (proposed): Growth Driver Diagnosis (2nd phase); Tourism Master Plan; Sector Rehabilitation of Crash Crops; Private Sector Profile  
- Rural Youth Enterprises Project Support (proposed)  
- Bas Mangoky Extension Project (proposed)  
- Governance Institutional Support Project (proposed)  
- Road RNB Project |
| **Madagascar** | | 2006-2009; Two extensions: 2010-2011; 2012-2013 | Improve the quality of rural infrastructure  
Improve Governance | - Agriculture infrastructure  
- Access to drinking water and sanitation infrastructure  
- Transport infrastructure  
- PPP and private sector development promotion  
- Management of public finance | - Project Support for Fishing Community of Tuléar (on-going)  
- Irrigation Scheme Rehabilitation Project of Manombo (on-going)  
- Lower Mangoky Rice Scheme Rehabilitation Project (on-going)  
- Fight against STD and HIV/AIDS (on-going)  
- Road of Tuléar (on-going)  
- Program for Drinking Water Supply and Rural Sanitation (on-going)  
- Ambatovy Cobalt-Nickel Private Mining Project |
| **Mauritius** | | 2009-2013 | Reducing structural bottlenecks to competitiveness and trade  
Enhancing public sector efficiency and social service delivery | - Enhance competitiveness and improve investment climate  
- Consolidate fiscal performance and improve public sector efficiency  
- Widen the circle of opportunity through participation, social inclusion and sustainability | - MIC Grant Debt Management Capacity Building (on-going)  
- MIC Grant Support to Public Sector Efficiency (on-going)  
- MIC Grant Sewage/Water Plan (identification stage)  
- MIC Grant Health Sector Strategy (on-going)  
- CPSE Budget Support (on-going)  
- Container Expansion (identification stage)  
- East-Coast Trunk Road (identification stage)  
- Plaines Wilhelms Stage (OWAS to complete PCR for June 2012) |
| **Seychelles** | | 2011-2015 | Strengthening Private Sector Development and Economic Competitiveness | - Infrastructure development  
- Enabling financing and regulatory environment  
- Human capacity development | - Feasibility Study for Water Supply in Mahe (on-going)  
- Policy Based Partial Credit Guarantee (on-going)  
- Seychelles Sub Marine Cable Project (on-going)  
- Water Supply Improvement Project (proposed)  
- Line of Credit to SMES (proposed)  
- PPP Framework (proposed)  
- Infrastructure Action Plan (proposed)  
- Human Resource Development Plan (proposed)  
- Institutional Support Project (proposed)  
- Statistical Capacity Building Program (on-going) |

[^1]: Excluding emergency assistance (grant).
### ANNEX 4 EASTERN AFRICA RISP

<table>
<thead>
<tr>
<th>Broad Areas of Focus</th>
<th>Pillar 1: Regional Infrastructure</th>
<th>Pillar 2: Capacity Building</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Regional Transport/Trade Facilitation Infrastructure</td>
<td>• Support to the CES Tripartite Arrangement</td>
</tr>
<tr>
<td></td>
<td>• Regional Energy Development (clean energy and interconnectors)</td>
<td>• Support to infrastructure, trade facilitation, statistical and legal frameworks for PPPs capacity building</td>
</tr>
<tr>
<td></td>
<td>• Information and Communications Technology (ICT)</td>
<td>• Strengthening institutions (RECs/IGOs, continental organisations, special utilities and national implementing units)</td>
</tr>
<tr>
<td></td>
<td>• Development of Shared Water Resources</td>
<td>• Enhancing the financial and technical capacity of regional multilateral institutions and agencies that invest in regional infrastructure and private enterprises</td>
</tr>
<tr>
<td>RPGs/Cross-cutting Issues</td>
<td>• Regional Public Goods – Climate Change, Management of Shared Water Resources and Trans-boundary Animal Diseases Control</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Cross-cutting Issues: Gender and Environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Knowledge Management and Networking</td>
<td></td>
</tr>
</tbody>
</table>

### ANNEX 5 SOUTHERN AFRICA RISP

<table>
<thead>
<tr>
<th>Areas of Focus</th>
<th>Pillar 1: Regional Infrastructure</th>
<th>Pillar 2: Capacity Building</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Regional Transport/Trade Facilitation Infrastructure</td>
<td>• Support to the CES Tripartite Arrangement</td>
</tr>
<tr>
<td></td>
<td>• Regional Energy Development</td>
<td>• Institutional Strengthening</td>
</tr>
<tr>
<td></td>
<td>• Information and Communications Technology</td>
<td>• Trade and Transport Facilitation and Aid for Trade</td>
</tr>
<tr>
<td>Cross-cutting Issues</td>
<td>• Regional Public Goods: Gender, Environment and Climate Change</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Knowledge Management and Networking</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Macroeconomic Convergence</td>
<td></td>
</tr>
<tr>
<td>Area of Cooperation</td>
<td>Component</td>
<td>Action</td>
</tr>
<tr>
<td>---------------------</td>
<td>-----------</td>
<td>--------</td>
</tr>
<tr>
<td>1. Institutional capacity of the IOC, Member States and Private Sector</td>
<td>1.1. IOC Secretariat</td>
<td><strong>Action 1</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Action 2</strong></td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Action 3</strong></td>
</tr>
<tr>
<td>Area of Coope-ration</td>
<td>Component</td>
<td>Action</td>
</tr>
<tr>
<td>----------------------</td>
<td>-----------</td>
<td>--------</td>
</tr>
<tr>
<td>1. Institutional capacity of the IOC, Member States and Private Sector</td>
<td>1.2. National relevant institutions / departments in charge of trade and investment promotion</td>
<td>Action 1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Action 2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Action 3</td>
</tr>
</tbody>
</table>

The expected support is to improve the capacity of member countries to coordinate at national level the implementation of agreements established at regional level. This support could be the establishment of a dedicated structure at national level (or technical assistance support to the structure already existing) to deal with government coordination on regional integration issues. A system of tracking implementation of regional decisions could be sought in monitoring the progress and effectiveness of the regional agreements made and identifies constraints towards liberalizing trade and investment regimes across the IOC region. A support could be provided to relevant national institutions to improve data collection on trade and investment. Finally, technical and financial assistance to implement an exchange experience and best practices program on PPP should also be considered.

All the IOC members countries concluded an Interim EPA with the EU, but three out of four signed the EPA (excluding Comoros) and only two (Mauritius and Seychelles) started its implementation. Support is needed for effective implementation of the EPA signed and for preparing next round negotiations of EPAs (including trade facilitation and cooperation on technical barriers to trade, sanitary and phytosanitary standards and rules of origin).

Besides the training of public agents, technical assistance should be provided to coordinate policies on PPP and facilitate synergies at regional level through increasing public-private policy dialogue. Technical assistance is also expected to put in place appropriate legislation and strategy to PPP.
<table>
<thead>
<tr>
<th>Area of Cooperation</th>
<th>Component</th>
<th>Action</th>
<th>Description</th>
<th>Potential source of funding at Bank level</th>
<th>Potential Partnership</th>
<th>Proposed Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Institutional capacity of the IOC, Member States and Private Sector</td>
<td>1.3. Private sector institutions / associations</td>
<td><strong>Action 1</strong></td>
<td>Support the CCI and the UCCIIO in their efforts to promote trade and investment in the region.</td>
<td>Thematic Trust Fund / OPSM / RD / Regional Public Goods (RPG)</td>
<td>WB / EU / AFD</td>
<td>2013-2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Action 2</strong></td>
<td>Support coordination efforts between national IPA and CCI.</td>
<td>Thematic Trust Fund / OPSM / RD</td>
<td>WB / EU / AFD</td>
<td>2014-2015</td>
</tr>
<tr>
<td></td>
<td></td>
<td><strong>Action 3</strong></td>
<td>Promote and support the development of results-based PPP initiatives.</td>
<td>Thematic Trust Fund / OPSM / RD</td>
<td>WB / EU / AFD</td>
<td>2013-2015</td>
</tr>
<tr>
<td>Action</td>
<td>Description</td>
<td>Proposed Timeline</td>
<td>Potential Source of Funding at Bank level</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>--------</td>
<td>-------------</td>
<td>------------------</td>
<td>------------------------------------------</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action 1</td>
<td>Preparation of a strategy, blueprint and investment plan for the renewable energy sector.</td>
<td>2014-2015</td>
<td>Thematic Trust Fund / OPEC / RD / SEFA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action 2</td>
<td>Establishment of an observatory on regional best practices in the field of renewable energy.</td>
<td>2013</td>
<td>Thematic Trust Fund / OPEC / ONR / RD / SEFA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action 3</td>
<td>Establishment of a facility to finance regional renewable energy projects.</td>
<td>2014-2015</td>
<td>Thematic Trust Fund / OPEC / ONR / RD / SEFA</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action 4</td>
<td>Support regional university program.</td>
<td>2014-2015</td>
<td>OPEC / ONR / RD / RPP</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Action 5</td>
<td>Provide technical and financial assistance to carry out ESW.</td>
<td>2013-2014</td>
<td>OPEC / ONR / RD / WB</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Potential Partnerships**

- Action 1: Theme: Renewable Energy
  - Potential Partners: Bank level, Technical and Financial Assistance to develop these instruments and organize a regional roundtable of development partners.

- Action 2: Theme: Renewable Energy
  - Potential Partners: Bank level, Technical and Financial Assistance to develop these instruments and organize a regional roundtable of development partners.

- Action 3: Theme: Renewable Energy
  - Potential Partners: Bank level, Technical and Financial Assistance to develop these instruments and organize a regional roundtable of development partners.

- Action 4: Theme: Renewable Energy
  - Potential Partners: Bank level, Technical and Financial Assistance to develop these instruments and organize a regional roundtable of development partners.

- Action 5: Theme: Renewable Energy
  - Potential Partners: Bank level, Technical and Financial Assistance to develop these instruments and organize a regional roundtable of development partners.
<table>
<thead>
<tr>
<th>Area of Cooperation</th>
<th>Component</th>
<th>Action</th>
<th>Description</th>
<th>Potential source of funding at Bank level</th>
<th>Potential Partners</th>
<th>Proposed Timeline</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.2. Regional Infrastructure Development</td>
<td>Regional Infrastructure Development</td>
<td>Action 1</td>
<td>Preparation of a Regional Master Plan for the ITC sector.</td>
<td>ONRI / OITC / RD / RPG</td>
<td>WB / UE / AFD</td>
<td>2013-2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Action 2</td>
<td>Improve coordination between regulators and private sector operators.</td>
<td>ONRI / OITC / RD</td>
<td>WB / UE / AFD</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Action 3</td>
<td>Develop capacity building programs for the private operators and the regulators in the telecommunication sector.</td>
<td>ONRI / OITC / RD</td>
<td>WB / UE / AFD</td>
<td>2014</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Action 4</td>
<td>Provide technical and financial assistance to carry out ESW.</td>
<td>ONRI / OITC / RD</td>
<td>WB / UE</td>
<td>2014-2015</td>
</tr>
</tbody>
</table>

* The Technologies New System Information (TNSI) trains annually around thirty engineers from various scientific fields such as computer science, mathematics or physical sciences. To achieve this Master, lessons are made in part by the University and partly by private sector engineers.
<table>
<thead>
<tr>
<th>Area of Cooperation</th>
<th>Component</th>
<th>Action</th>
<th>Description</th>
<th>Potential source of funding at Bank level</th>
<th>Potential Partnership</th>
<th>Proposed Timeline</th>
</tr>
</thead>
</table>
| Regional Infrastructure Development | 2.3. Transport sector | Action 1 | Provide technical and financial assistance to carry out ESW | The following studies may be conducted as a prerequisite to further support the regional transports infrastructure:  
- Transport maritime corridors study (as stated in the Southern Africa RISP).  
- Regional air transport re-organization study in relation to the “Iles Vanilles” concept (put in place common itineraries for serving the islands, low cost promotion products, possibility to combining transports, etc.).  
- Inter-island maritime transport study to identify the adequate: transport chain, multi-modal transportation scheme, port tariffs, trade facilitation measures, non-tariff barriers, scope of diversification of traffic (passengers, agricultural food commodities). | ONRI – IPPF / Thematic Trust Fund / OITC / RD / RPG | WB / UE | 2014-2015 |
| | | | | | | |
| | 3.1. Natural disasters | Action 1 | Support relevant national institutions in post crises response management and risk mitigation for natural disasters situations. | To date, the Bank assistance in the region was based on a case by case support, which is provided after the natural disaster has occurred. It is strongly suggested the establishment of a dedicated fund for post crises response management following occurrence of natural disasters. Such a fund will primarily target the reconstruction of critical infrastructure, mainly roads, and ensuring basic urgent needs to populations. Supports from other sources of financing should support the establishment of a dedicated center of excellence dealing with environment and management of risk of natural disasters. | OSHD / Climate Change Facility / RPG | AFD / EU / UN Agencies / WB/JICA/ EIB/IAD | 2013-2015 |
| | 3.2. Regional pandemic diseases | Action 1 | Improving regional coordination to respond to pandemic diseases. | Put in place/operationalize mechanism for regional coordination response to the threat of pandemics diseases. Such a mechanism of coordination should allow the Member States to share information in real time and implement protocol actions rapidly. It is also proposed to extend the previous financial assistance to prevent and fight against HIV/AIDS and enlarge the support to the control of other diseases such as malaria. Such a financial instrument may be flexible enabling the Bank to intervene in situations of natural disasters with risk of propagation of diseases within the region. In addition, it is proposed the establishment of mechanisms of coordination and the creation of one regional centers of excellence for infectious diseases. | OSHD / RPG | AFD / EU / UN Agencies / WB/JICA/ EIB/IAD | 2012-2015 |
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